

## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 06/06/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS#2a

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** 2000-2001 Budget Work Session

#### **RECOMMENDATION:**

It is recommended that the City Council review and comment on this report.

#### **BACKGROUND:**

Last year the City Council implemented a two-year budget with several objectives in mind. One objective was to extend the planning process over a two-year period. In addition, Council anticipated that significant operating efficiencies would be gained by developing a two-year plan. The approach envisioned that Departments would address only significant changes for the second year. For example, if a revenue source were going to be substantially less than projected, then adjustments would be presented to Council. Further, if Council were to approve a new program or objective, then that action would not necessitate issuing a new budget document. Instead any changes authorized by Council would become an addendum to the two-year budget document.

Staff believes that, overall, the two-year budget has been successful. Considerable time and effort went into the development of the two-year budget by both staff and Council. Clearly, taking a "longer-term look" has benefited the budget process. As a result a considerable amount of resources have been saved by not having to develop a traditional budget for 2000-2001. For example, staff estimates that the City has saved approximately 6,200 hours, which equates to almost 3 full-time employees, by not having to prepare a full budget in the second year. This figure is based on approximations made by the departments and also includes estimated hours Council and staff devote to budget preparation, as well as various groups' budget review meetings.

As was discussed with Council at the time the two-year budget was adopted, Council must formally adopt the second year as required by the City Charter and to comply with certain grant requirements. In addition, staff indicated that only significant adjustments would be brought to Council for approval for the second year. Based on these guidelines staff will be requesting that Council formally adopt the Proposed Budget 2000-2001 as previously presented, with certain adjustments. The adjustments are discussed below.

## General Fund

There are two attachments to this report. Attachment A presents revenue and expenditure information for the General Fund. Attachment B presents a summary of recommended budget adjustments for 2000-2001. With respect to Attachment A, the first column presents the 1999-2000 Budget as originally adopted by Council, including any adjustments authorized by Council during the year, but updated to reflect staff's most recent revenue estimates. The second column consists of the 2000-2001 Proposed budget as approved by Council in the 1999-2001 Operating Budget. The third column is the 2000-2001 Recommended Budget. This is the budget which staff is recommending to Council for formal adoption for 2000-2001. The 2000-2001 Recommended Budget reflects certain changes with regard to revenues and expenditures.

Before discussing the specific changes, it may be useful to give an overview of estimated results for the current year as well as the new one. For 1999-2000 the news continues to be good. Revenues and Transfers to the General Fund are estimated to be \$76.2 million. Expenditures and Transfers Out for the year are estimated at \$75.6 million, which results in a projected surplus of about \$600,000. Staff is recommending that this surplus, for the most part, be set aside for the Equipment Management Fund.

More specifically, during the Budget Work Sessions for the 1999-2001 Budget staff noted that one area that would benefit from additional funding is the City's Equipment Management Fund. Staff further commented that if results for 1999-2000 would support additional funding, then staff would make such a recommendation. This fund, along with other City funds, saw cutbacks during the early 1990's as a result of the recession. The Equipment Management Fund was able to keep costs down during this period by deferring some equipment replacement. However, this is a short-term strategy only and at some point the deferred replacements must be "made up". Based on estimated results for 1999-2000 staff is recommending a supplemental transfer to the Equipment Management Fund of \$500,000 to accelerate equipment replacement. After setting aside a \$500,000 reserve for the Equipment Management Fund, staff estimates the undesignated fund balance will grow by about \$50,000 for 1999-2000.

The 2000-01 recommended Budget reflects the continuing healthy economy and predicts a surplus of approximately \$500,000. The increased surplus takes into account revised revenue estimates for 2000-01 and also provides for increased expenditures.

### ☐ Revenues

General Fund revenues come from several sources. The two main sources are Sales Tax and Property Tax. However, there are other important revenue sources for the General Fund, such as the Real Property Transfer Tax and the Supplemental Building Construction and Improvement Tax.

Sales Tax. Sales Tax revenue continues to grow. Third quarter sales tax income was particularly strong, yielding the single largest quarterly increase in several years. Based on this information staff is revising estimated revenues for 1999-2000 to \$27.9 million as compared to the original estimate of \$27 million. While staff is raising the base to be used for the revised 2000-01 revenue estimate,

staff does not recommend changing the growth factor for 2000-01, which is 4%. Given recent economic news, which indicates a cooling off of the economy, staff believes that the original growth estimate is still appropriate. However, applying the growth factor to the new base results in a revenue estimate of approximately \$29.0 million which is an increase of about \$1.0 million over the original budget for 2000-01.

Property Tax. Property tax revenue is revised upward to \$15 million for 2000-01. This represents an increase of approximately \$700,000 (or about 5%) over the revised mid-year estimate for 1999-00. Based on data received from the County in April of this year, the estimate for property tax revenue for 1999-00 was increased to \$14.2 million. Then, based on the information received from the County as mentioned above, staff increased the growth factor for 2000-2001. Originally, a growth factor of 3% was used to estimate property tax revenue for 2000-2001. However, in light of the County's information, staff believes that a growth factor of 5% is more appropriate. Applying a growth factor of 5% to the revised revenue estimate for 1999-2000 results in the \$15 million estimate now being recommended to Council. The Bay Area and Hayward's active real estate markets continue to fuel assessed valuation, which is the basis for property tax revenue.

Other Revenues. Several other revenue sources are estimated to increase for the 2000-2001 budget. More specifically, the Real Property Transfer Tax is increased to \$3.7 million and the Motor Vehicle In-Lieu Tax is increased to \$6 million. These budgets are revised to reflect increases that are tied directly to the 1999-00 budget increases that were discussed at mid-year. Other revenues showing increases in budget for 2000-01 are Franchise Fees which are increased to \$4.5 million, Grants, POST Reimbursement and other revenues, which are increased to \$2.3 million, and Fees and Charges which are increased to \$1.9 million. These increases are based on revised budget estimates for 1999-00 and increased intergovernmental reimbursements.

The next revenue category to show a major change is the Supplemental Building Construction and Improvement Tax. This revenue has shown steady growth over the past few years with 1996-97 posting \$1.2 million, 1997-98, \$1.5 million, and 1998-99, \$2.8 million. However, currently, this revenue is not keeping pace with the budget. At this time staff is estimating this revenue at \$1.7 million for 1999-00. The reduction in revenue when compared to 1998-99 is primarily due to the completion of certain large residential projects in 1998-99 that will not occur in 1999-00, such as Twin Bridges. The budget for 2000-01 is \$2 million, a moderate increase over the estimated actual for 1999-00.

Other revenue categories that did not keep pace with budget, but show a general increase over actual revenues when compared to prior year, are Construction Permits and Miscellaneous Revenues. These budgets were reduced by about \$200,000 for Construction Permits and a like amount for Miscellaneous Revenues.

#### □ Expenditures

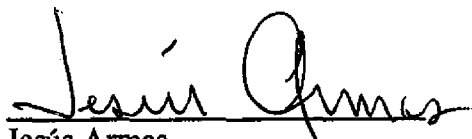
Changes in expenditures are limited to a few areas, as described below.

Employee Services. Employee services are estimated at \$61.6 million. This represents an increase of \$2 million over the 2000-01 Proposed budget. Employee services have been affected, for the most part, by two factors: pay rate increases implemented in accord with current labor agreements and the difference in PERS retirement rates paid by the City. Fortunately, the earnings PERS has had in its investments resulted in a reduction in rates. This savings in payments to PERS helps to offset any pay rate increases. The new employee services figure reflects known pay rate increases, as well as estimated pay rate increases for groups that are currently negotiating or will soon be negotiating. Finally, as explained more fully in Attachment B, staff is recommending the addition of certain positions for 2000-2001.

Supplies and Services and Maintenance and Utilities. There are several minor changes recommended for these two categories and include both additions and reductions to expenditure appropriations. The single largest item is a correction to the Supplies and Services budget. More specifically, when preparing the 1999-2001 two-year budget, staff omitted from the 2000-2001 budget a continuing level of support, which was included in the 1999-2000 budget, for the Home Page program of \$40,000. In addition to this continuing funding level, the City's Council Technology Application Committee (CTAC) approved a motion to come forward to the full City Council requesting additional funds for 2000-2001. The CTAC at its May 10, 2000 meeting discussed the need for additional funding for Home Page development and Webmaster support. The CTAC agreed that an additional appropriation of \$50,000 would be sufficient and recommends this addition to the budget.

## CONCLUSION

The success of implementing a two-year budget is apparent as the proposed budget entertains only a few changes and has resulted in significant savings of City resources. Finally, the revised proposed 2000-01 budget presents a balanced plan of revenue and expenditures. It is requested that Council review and comment on the adjustments described in this report.



Jesús Armas  
City Manager

Attachment A: Financial Overview – General Fund Revenues and Expenditures  
Attachment B: Summary of 2000-01 Major Budget Adjustments

# ATTACHMENT A

## CITY OF HAYWARD GENERAL FUND -- 2000-2001

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
<b>ESTIMATED REVENUES</b>			
TAXES	\$ 51,650,000	\$ 52,091,000	\$ 54,019,000
FRANCHISES	4,438,750	4,196,000	4,477,600
LICENSES & PERMITS	2,396,050	2,246,050	2,013,050
INTEREST & RENTS	474,000	457,000	457,000
FINES AND FORFEITURES	780,000	460,000	460,000
FROM OTHER AGENCIES	7,955,672	7,361,594	8,386,186
FEES & SVC CHARGES	1,876,704	1,895,220	1,933,313
OTHER	2,458,466	2,380,387	2,179,239
	72,029,642	71,086,251	73,925,388
<b>TRANSFERS TO GENERAL FUND</b>			
TOTAL-DETAIL ON NEXT PAGE	4,050,831	3,996,010	3,996,010
DOWNTOWN REVITALIZATION RESERVE	100,000		
1999-00 RESERVE FOR EQUIPMENT MANAGEMENT FUND			500,000
1998-99 RESERVE FOR WEEKS BR.		500,000	500,000
TOTAL FUNDS AVAILABLE	\$ 76,180,473	\$ 75,582,261	\$ 78,921,398
<b>EXPENDITURES</b>			
EMPLOYEE SERVICES	\$ 57,085,882	\$ 59,564,117	\$ 61,564,633
MAINT. & UTILITIES	3,687,060	3,659,567	3,661,701
SUPPLIES & SERVICES	8,901,843	8,076,567	8,106,386
CAPITAL EXPENSE	1,184,977	601,650	731,650
NET INTERDEPT. CHRGS (CREDITS)	(2,769,599)	(2,809,301)	(2,758,900)
TOTAL EXPENDITURES	68,090,163	69,092,600	71,305,470
<b>TRANSFERS FROM GENERAL FUND</b>			
TOTAL-DETAIL ON NEXT PAGE	7,534,856	6,450,252	7,100,252
TOTAL FUNDS REQUIRED	75,625,019	75,542,852	78,405,722
EXCESS REVENUE (EXPENDITURE)	555,454	39,409	515,676
BEGINNING FUND BALANCE	14,539,673	14,595,127	14,595,127
SUBTOTAL	15,095,127	14,634,536	15,110,803
LESS RESERVES USED 1999-2001, Equipment Mgmt Fund	500,000		
FUND BALANCE AVAILABLE	\$ 14,595,127	\$ 14,634,536	\$ 15,110,803

# **CITY OF HAYWARD**

	<b>1999-2000 ESTIMATED BUDGET</b>	<b>2000-2001 PROPOSED BUDGET</b>	<b>2000-2001 RECOMMENDED BUDGET</b>
<b>TRANSFERS TO GENERAL FUND</b>			
Cost Allocation	\$ 2,065,401	\$ 2,065,401	\$ 2,065,401
Trsf. From Special Gas Tax	1,202,000	1,214,000	1,214,000
Citizens for Public Safety Grant	280,500	279,000	279,000
Golf Course--Park-In-Lieu	150,000	150,000	150,000
Law Enforcement Block Grant	352,930	287,609	287,609
	<u>\$ 4,050,831</u>	<u>\$ 3,996,010</u>	<u>\$ 3,996,010</u>

## **TRANSFERS TO OTHER FUNDS**

Transfer to Capital Projects	\$ 860,000	\$ 860,000	\$ 860,000
Liability Insurance Cost Allocation	811,006	835,336	835,336
Trsf. To Centennial Hall Fund	297,000	269,000	269,000
Capital Trsf to Transp. Sys Imp	350,000	350,000	500,000
Capital Trsf to Street Lighting	320,000	320,000	320,000
Capital Trsf. To Water (IAD LOAN)	71,000	71,000	71,000
Capital Trsf. To Equip. Mgmt.	370,000	190,000	690,000
Debt Service Transfers	3,055,850	3,054,916	3,054,916
Weekes Library Branch Transfer		500,000	500,000
Downtown Side Walk District	100,000		
Permit Surcharge Project Transfer	300,000		
Transfer to PERS Reserve	1,000,000		
	<u>\$ 7,534,856</u>	<u>\$ 6,450,252</u>	<u>\$ 7,100,252</u>

**ATTACHMENT A,**

**City of Hayward  
General Fund  
Budgeted Fund Balances - 1999-2000 and 2000-2001**

**RESERVED FOR:**

	<b>1999-2000 ESTIMATED BUDGET</b>	<b>2000-2001 PROPOSED BUDGET</b>	<b>2000-2001 RECOMMENDED BUDGET</b>
Encumbrances	\$ 4,455,000	\$ 4,545,000	\$ 4,545,000
PERS Reserve	1,000,000	1,000,000	1,000,000
Inventory	100,000	100,000	100,000
Advances	1,400,000	1,400,000	1,400,000
	<b>6,955,000</b>	<b>7,045,000</b>	<b>7,045,000</b>

**DESIGNATED FOR:**

Economic Uncertainty	5,000,000	5,000,000	5,000,000
Liquidity	2,500,000	2,500,000	2,500,000
Undesignated	640,127	89,536	565,803
	<b>8,140,127</b>	<b>7,589,536</b>	<b>8,065,803</b>
<b>Fund Balance</b>	<b>15,095,127</b>	<b>14,634,536</b>	<b>15,110,803</b>
Less Amounts to be Used 2000-2001			
Equipment Management Fund Transfer	500,000	-	-
<b>Fund Balance Available</b>	<b>\$ 14,595,127</b>	<b>\$ 14,634,536</b>	<b>\$ 15,110,803</b>

# GENERAL FUND REVENUE BY SOURCE

	1999-2000 ESTIMATED BUDGET	2000-2001 PROPOSED BUDGET	2000-2001 RECOMMENDED BUDGET
<b>TAXES</b>			
PROPERTY TAXES	\$ 14,250,000	\$ 13,627,000	\$ 14,962,000
SALES TAXES	27,900,000	28,064,000	29,016,000
BUSINESS TAX	1,500,000	1,500,000	1,500,000
REAL PROPERTY TRANSFER TAX	3,500,000	2,900,000	3,741,000
TRANSIENT OCCUPANCY TAX	1,200,000	1,200,000	1,200,000
SUPPLEMENTAL IMPROVEMENT TAX	1,700,000	3,200,000	2,000,000
EMERGENCY FACILITIES TAX	1,600,000	1,600,000	1,600,000
SUBTOTAL	51,650,000	52,091,000	54,019,000
<b>FRANCHISES</b>			
OAKLAND SCAVENGER	1,709,600	1,650,000	1,709,600
CABLE TV FRANCHISE	731,250	650,000	731,000
PG&E	731,900	690,000	731,000
WATER & SEWER FUND FRANCHISE	1,260,000	1,200,000	1,300,000
METRICOM	6,000	6,000	6,000
SUBTOTAL	4,438,750	4,196,000	4,477,600
<b>LICENSES &amp; PERMITS</b>			
CONSTRUCTION PERMITS	1,754,000	1,600,000	1,368,000
HAZARDOUS PERMITS	370,000	370,000	370,000
OTHER	272,050	275,050	275,050
SUBTOTAL	2,396,050	2,245,050	2,013,050
<b>INTEREST &amp; RENTS</b>			
INTEREST EARNED	474,000	457,000	457,000
SUBTOTAL	474,000	457,000	457,000
<b>FINES &amp; FORFEITURES</b>			
LIBRARY FINES & FEES	60,000	60,000	60,000
OTHER	720,000	400,000	400,000
SUBTOTAL	780,000	460,000	460,000



**GENERAL FUND REVENUE BY SOURCE**

	<b>1999-2000 ESTIMATED BUDGET</b>	<b>2000-2001 PROPOSED BUDGET</b>	<b>2000-2001 RECOMMENDED BUDGET</b>
<b>FROM OTHER AGENCIES</b>			
MOTOR VEHICLE IN-LIEU	6,175,000	5,410,590	6,022,715
POST REIMBURSEMENT	60,000	60,000	60,000
GRANTS	753,816	508,816	315,983
OTHER	966,856	1,382,188	1,987,488
SUBTOTAL	7,955,672	7,361,594	8,386,186
<b>FEES &amp; SERVICE CHARGES</b>			
POLICE CHARGES	516,440	531,920	531,920
PLAN CHECKING FEES	497,200	497,200	605,293
FIRE SERVICE FEES	145,000	145,000	145,000
WEED ABATEMENT COLLECTIONS	175,000	175,000	175,000
RENTAL UNIT ORDINANCE	42,900	42,900	42,900
APT. HOUSE INSPECTIONS	178,000	178,000	178,000
OTHER	322,164	325,200	255,200
SUBTOTAL	1,876,704	1,895,220	1,933,313
<b>OTHER REVENUE</b>			
WORKERS COMP. INS. FUND	600,000	618,000	618,000
OTHER	1,858,466	1,762,387	1,561,239
SUBTOTAL	2,458,466	2,380,387	2,179,239
<b>TOTAL</b>	<b>\$ 72,029,642</b>	<b>\$ 71,086,251</b>	<b>\$ 73,925,388</b>

## **SUMMARY OF 2000-2001 MAJOR BUDGET ADJUSTMENTS**

### **GENERAL FUND**

#### **□ Employee Services Category:**

##### **Addition of one Permit Technician to staff the Permit Center.**

This position is added for one year to address the increased demand for services related to development activity and to support the implementation of the new permit processing computer tracking system. The cost of this position, with benefits, is approximately \$74,000 per year. Related development revenue should offset most of, if not all of this cost.

##### **Addition of Three Animal Care Attendants.**

Three new Animal Attendant positions are being requested for the Animal Shelter. The City recently entered into a contract to provide animal shelter services to the City of San Leandro. Revenues from this contract will fund two of the new positions. The third new position will be funded from grant revenues and the deletion of a ½ time Police Records Clerk. As a result of the City of San Leandro contract, grant funding and the position reduction, there will be no net additional cost to the General Fund for the new positions.

##### **Addition of Administrative Analyst Position/Deletion of Purchasing Assistant Position.**

An Administrative Analyst position is requested for the Finance and Internal Services Department. This new position will support the Building Management and Finance and Administration divisions, including the Budget function. In addition, the Department is recommending the deletion of a Purchasing Assistant position as the result of reorganization. The net result of these recommendations is no net additional cost to the General Fund.

#### **□ Capital Expense**

##### **Self-Contained Breathing Apparatus.**

Staff is recommending that this category be increased by \$130,000. The additional funding will be used to purchase self-contained breathing apparatus for the Fire Department. This equipment was scheduled for replacement over a three-year period. However, by augmenting funds already budgeted staff will be able to realize cost savings and replace equipment that has reached the end of its useful life.

## **OTHER FUNDS**

### **□ Water and Wastewater (sewer) Funds Master Plan Updates**

In reviewing the Five-Year Capital Improvement Program Budget for this year staff noted that two master plan updates were budgeted. One of the updates is for the Water Fund and the other is for the Wastewater Fund. Staff believes the updates should be budgeted in the respective operating budgets rather than the CIP Budget. Consequently, staff is recommending that the studies be removed from the Five-Year CIP and budgeted for in the operating funds. The Five Year CIP which was reviewed by Council at the May 23, 2000 Work Session reflects this change. The cost associated with the Water Fund study is \$90,000 and for the Wastewater Fund study \$165,000.



## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 06/06/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS #26

**TO:** Mayor and City Council

**FROM:** Acting Finance and Internal Services Director

**SUBJECT:** Master Fee Schedule For 2000-2001

#### **RECOMMENDATION:**

It is recommended that the City Council review and comment on the following report.

#### **BACKGROUND/DISCUSSION:**

Each year, staff reviews the Master Fee Schedule to ensure that the various fees and service charges are appropriate and within State Guidelines. A detailed review and analysis of the Master Fee Schedule was performed in conjunction with the two-year budget for 1999-2001. One of the benefits of that study, with respect to the 2000-2001 budget, is that only a few changes are being recommended. More specifically, staff is recommending changes in only two areas, which are routine CPI adjustments to assessment district administration fees and five new Planning Inspection Fees.

The recommendations contained in this document have been developed pursuant to applicable Government Codes and the City's fee recovery policy. For ease of reference, the Summary of Proposed Changes, which follows, summarizes the proposed changes to the Master Fee Schedule. The summary gives a brief description of the current fee, proposed fee, cost recovery amount and the average of what other cities charge for a similar service, where applicable.

With respect to the Summary of Proposed Changes, the Current Fee column of the schedule represents the amount adopted by Council. The Proposed Fee column is staff's recommendation. The Cost Recovery column is the total of direct and indirect costs of providing the service. The Other Agencies Column is an average of what the City of Oakland, City of San Leandro and City of Berkeley charge for a similar service.

**Assessment District Fees.** There are three fees that the City charges to assessment districts for administration services performed by the City. The Master Fee Schedule provides for an adjustment of these fees annually to reflect changes in the San Francisco Bay Area Consumer

Price Index. The change for this year is 4.2%. The Summary of Proposed Changes, which follows, indicates the recommended changes.

**Planning Inspection Fees.** Currently, the City does not charge an inspection fee to recover costs associated with the on-site inspection of landscaping and irrigation installed in conjunction with an approved development project. The recommended new fees will provide for the recovery of these inspection costs and are noted in the Summary of Proposed Changes. Staff estimates that the proposed new fees, if adopted, will generate revenue of approximately \$26,000 per year.

**Future Issues.** Staff would like to take this opportunity to alert the Council to an issue that will be included in the next two year budget, 2001-03. In particular, several jurisdictions rely on the California Building Code to set Building Permit Fees. The California Building Code establishes a table of construction values, which forms the basis for setting the building permit fees. The table is updated on a regular basis and provides for an objective and widely recognized standard for establishing the value of construction. The City currently maintains its own schedule. Staff believes that adopting the California Building Code fee structure will place the City on a more equal footing with other jurisdictions and provide for an up to date fee schedule. Staff plans to bring this recommendation to Council as part of the next two-year budget cycle.

A complete copy of the current Master Fee Schedule is on file in the City Clerk's Office. The current Master Fee Schedule has all changes adopted by the Council during the current fiscal year, including cost of living adjustments to certain fees provided for by earlier Council action.

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## SUMMARY OF PROPOSED CHANGES

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Fee Description:	Current Fee:	Proposed Fee:	Cost Recovery:	Other Agencies
<b>Assessment District Fees:</b>				
Establishment Fee	\$2,420.00	\$2,522.00	N/A	N/A
Administration Fee	\$2,303.00	\$2,400.00	N/A	N/A
Bond Call Fee	\$ 232.00	\$ 242.00	N/A	N/A
<b>Planning Inspection Fee:</b>				
Residential Subdivisions and Multi-Family Development	New	\$ 162.00	\$ 162.00	\$85.00 per hour
Commercial/Industrial Development	New	\$ 108.00	\$ 108.00	\$85.00 per hour
Hillside Single-Family Dwellings	New	\$ 54.00	\$ 54.00	\$125.00
Miscellaneous	New	\$ 54.00	\$ 54.00	Various
Re-inspection	New	\$ 54.00	\$ 54.00	\$85.00 per hour

Prepared by:

Diane Lewis for  
Carl T. Guiton Jones, Auditor

Recommended by:

Diane Lewis  
Diane Lewis, Acting Finance Director

Approved by:

Jesús Armas  
Jesús Armas, City Manager